

CITY OF LAKE PARK
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2006

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CITY OF LAKE PARK
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2006)		
Ann Ditsworth	Mayor	January 1, 2006
Lance Heikens	Mayor Pro-Tem	January 1, 2006
Jeff Rolfes	Council Member	January 1, 2008
Mike Treharne	Council Member	January 1, 2006
Lori Eggers	Council Member	January 1, 2008
Tony Peterson	Council Member	January 1, 2008
Vernette Palmer	Clerk	Indefinite
Earl Maahs	Attorney	January 1, 2006
(After January 1, 2006)		
John Engel	Mayor	January 1, 2008
Lance Heikens	Mayor Pro-Tem	January 1, 2010
Jeff Rolfes	Council Member	January 1, 2008
Clark Reekers	Council Member	January 1, 2010
Lori Eggers	Council Member	January 1, 2008
Regina Johnson	Council Member	January 1, 2008
Nick Lanning	City Administrator	Indefinite
Vernette Palmer	Clerk	Indefinite
Earl Maahs	Attorney	January 1, 2007

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Lake Park
Lake Park, IA 51347

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Lake Park, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Lake Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

The financial statements referred to above include only the primary government of the City of Lake Park, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Lake Park as of June 30, 2006, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, except for the effects to such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Lake Park at June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2007 on our consideration of The City of Lake Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 16 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements of the City's primary government for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Winter, Stow & Co., LLP

May 30, 2007

BASIC FINANCIAL STATEMENTS

CITY OF LAKE PARK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

			<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 123,382	\$ 2,053		
Public works	267,529	99,248		
Culture and recreation	153,760	33,741	\$ 8,400	
Community and economic development	14,394	4,678		
General government	114,514			
Debt service	<u>132,533</u>		<u>11,475</u>	
Total governmental activities	<u>806,112</u>	<u>139,720</u>	<u>19,875</u>	
Business-type activities:				
Sewer	<u>197,517</u>	<u>174,918</u>		
TOTAL	<u>\$1,003,629</u>	<u>\$314,638</u>	<u>\$ 19,875</u>	

General Receipts:

Property taxes levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Grants and contributions not restricted to specific purpose	
Unrestricted investment earnings ..	
Miscellaneous	
Total general receipts	

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted:

Local option sales tax	
Debt service	
Other purposes	
Unrestricted	

Total cash basis net assets

Exhibit A

Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (121,329)		\$ (121,329)
(168,281)		(168,281)
(111,619)		(111,619)
(9,716)		(9,716)
(114,514)		(114,514)
(121,058)		(121,058)
<u>(646,517)</u>		<u>(646,517)</u>
	\$ (22,599)	(22,599)
<u>(646,517)</u>	<u>(22,599)</u>	<u>(669,116)</u>
302,527		302,527
21,412		21,412
150,866		150,866
35,256	3,285	38,541
<u>224,768</u>		<u>224,768</u>
<u>734,829</u>	<u>3,285</u>	<u>738,114</u>
88,312	(19,314)	68,998
<u>1,016,413</u>	<u>188,354</u>	<u>1,204,767</u>
<u>\$1,104,725</u>	<u>\$169,040</u>	<u>\$1,273,765</u>
\$ 228,537		\$ 228,537
(46,896)	125,000	78,104
39,584		39,584
<u>883,500</u>	<u>\$ 44,040</u>	<u>927,540</u>
<u>\$1,104,725</u>	<u>\$169,040</u>	<u>\$1,273,765</u>

See Notes to Financial Statements

CITY OF LAKE PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

		Special Revenue	
	General	Local Option Sales Tax	Debt Service
RECEIPTS:			
Property tax	\$ 234,200		
Tax increment financing collections			
Other city tax		\$150,866	
Licenses and permits	14,408		
Use of money and property	53,104		\$ 2,992
Intergovernmental	60,419		
Charges for service	129,042		
Special assessments			53,070
Miscellaneous	20,933		
TOTAL RECEIPTS	<u>512,106</u>	<u>150,866</u>	<u>56,062</u>
DISBURSEMENTS:			
Operating:			
Public safety	102,763		
Public works	248,256		
Culture and recreation	146,712		
Community and economic development	14,394		
General government	103,402		
Debt service			132,533
TOTAL DISBURSEMENTS	<u>615,527</u>		<u>132,533</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(103,421)</u>	<u>150,866</u>	<u>(76,471)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	212,000		21,412
Operating transfers out		(125,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>212,000</u>	<u>(125,000)</u>	<u>21,412</u>
NET CHANGE IN CASH BALANCES	108,579	25,866	(55,059)
CASH BALANCES - BEGINNING OF YEAR	<u>774,921</u>	<u>202,671</u>	<u>8,163</u>
CASH BALANCES - END OF YEAR	<u>\$ 883,500</u>	<u>\$228,537</u>	<u>\$ (46,896)</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service			\$ (46,896)
Unreserved:			
General fund	\$ 883,500		
Special revenue funds		\$228,537	
TOTAL CASH BASIS FUND BALANCES	<u>\$ 883,500</u>	<u>\$228,537</u>	<u>\$ (46,896)</u>

See Notes to Financial Statements

Exhibit B

Other Nonmajor Governmental Funds	Total Governmental Funds (Memorandum Only)
\$ 68,327	\$ 302,527
21,412	21,412
	150,866
	14,408
	56,096
85,651	146,070
	129,042
	53,070
	20,933
<u>175,390</u>	<u>894,424</u>
20,619	123,382
19,273	267,529
7,048	153,760
	14,394
11,112	114,514
	132,533
<u>58,052</u>	<u>806,112</u>
<u>117,338</u>	<u>88,312</u>
	233,412
<u>(108,412)</u>	<u>(233,412)</u>
<u>(108,412)</u>	
8,926	88,312
<u>30,658</u>	<u>1,016,413</u>
<u>\$ 39,584</u>	<u>\$1,104,725</u>
	\$ (46,896)
	883,500
<u>\$ 39,584</u>	<u>268,121</u>
<u>\$ 39,584</u>	<u>\$1,104,725</u>

See Notes to Financial Statements

CITY OF LAKE PARK
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Sewer</u>
OPERATING RECEIPTS:	
Use of money and property	\$ 3,285
Charges for service	151,662
Miscellaneous	<u>23,256</u>
TOTAL RECEIPTS	<u>178,203</u>
OPERATING DISBURSEMENTS:	
Business type activities	<u>197,517</u>
TOTAL OPERATING DISBURSEMENTS	<u>197,517</u>
DEFICIENCY OF OPERATING RECEIPTS UNDER OPERATING DISBURSEMENTS	(19,314)
CASH BALANCES - BEGINNING OF YEAR	<u>188,354</u>
CASH BALANCES - END OF YEAR	<u>\$ 169,040</u>
CASH BASIS FUND BALANCES:	
Reserved:	
Debt service	\$ 125,000
Unreserved	<u>44,040</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 169,040</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF LAKE PARK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lake Park, Iowa is a political subdivision of the State of Iowa located in Dickinson County. The City operates under the Mayor-Council form of government with the Mayor and City Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides solid waste and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. These financial statements present the primary government of the City of Lake Park but do not include any component units for which it is financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Lake Park Municipal Utilities is considered a component unit of the City of Lake Park. The financial statements of this component unit are audited separately and are presented on the accrual basis of accounting. Complete financial statements of Lake Park Municipal Utilities can be obtained from their administrative offices. Therefore, the City has elected not to include Lake Park Municipal Utilities or any other potential component units in these financial statements.

B. Basis of Presentation

Government-Wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and a proprietary fund. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for revenues from the tax authorized by referendum and used for property tax relief and capital improvements.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation debt.

Additionally, the City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lake Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business type activities function.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; and perfected repurchase agreements.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 month of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes, a tax increment capital loan note, and revenue notes are as follows:

Year Ending June 30,	General <u>Obligation Notes</u>		Tax Increment <u>Capital Loan Note</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 66,000	\$ 67,029	\$ 15,000	\$ 5,250	\$ 49,000	\$ 36,913	\$ 130,000	\$109,192
2008	67,000	64,098	20,000	4,200	51,000	34,992	138,000	103,290
2009	72,000	61,152	20,000	2,800	52,000	33,013	144,000	96,965
2010	73,000	57,957	20,000	1,400	55,000	30,957	148,000	90,314
2011	78,000	54,747			57,000	28,804	135,000	83,551
2012 - 2016	451,000	217,045			317,000	108,907	768,000	325,952
2017 - 2021	576,000	97,587			251,000	53,492	827,000	151,079
2022 - 2025	74,000	4,500			231,000	14,115	305,000	18,615
Total	<u>\$1,457,000</u>	<u>\$624,115</u>	<u>\$ 75,000</u>	<u>\$ 13,650</u>	<u>\$1,063,000</u>	<u>\$341,193</u>	<u>\$2,595,000</u>	<u>\$978,958</u>

The Code of Iowa requires that principle and interest on general obligation bonds be paid from the Debt Service Fund.

The urban renewal tax increment financing revenue bond was issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bond is payable solely from tax increment financing collections in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bond shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bond is not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders retain a lien on the future earnings of the funds.
- b. Sufficient balances are maintained in a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principle and interest payments when due.
- c. Additional monthly transfers to the sewer reserve account shall be made until specific minimum balances have been accumulated. The sewer reserve account, which exceeds its minimum balance requirement, is restricted for the purpose of paying principal at maturity or interest on the sewer revenue notes if sufficient money is not available in the Sinking Fund.
- d. User rates shall be established which produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2006, the City failed to comply with certain revenue note provisions.

4. PENSION AND RETIREMENT BENEFITS

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2006 was \$12,198, equal to the required contribution for the year.

457 Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to the City Administrator in lieu of participating in the IPERS program. The plan permits the City Administrator to defer a portion of his current salary until future years. The City agrees to pay an amount equal to 8% of gross wages per pay period. The funds are held in trust by a third party investor. The City provides neither administrative service to the plan nor investment advice for the plan.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or, in the case of unused vacation hours, for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 9,900
Sick leave	<u>34,900</u>
Total	<u>\$ 44,800</u>

The liability for compensated absences has been computed based on rates of pay as of June 30, 2006.

6. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General \$212,000	Special Revenue: Local Option Sales Tax	\$125,000
	Special Revenue: Road Use	87,000
Debt Service <u>21,412</u>	Special Revenue: TIF Supported Projects	<u>21,412</u>
Total <u>\$233,412</u>		<u>\$233,412</u>

7. LOCAL GOVERNMENT RISK POOL

The City of Lake Park is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis

rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City of Lake Park's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Lake Park's annual contributions to the Pool for the year ended June 30, 2006 were \$17,900.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of the membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Lake Park also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. LITIGATION

The City may become party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings typically are not expected to have a material adverse impact on the City's financial condition.

10. DEFICIT FUND BALANCE

The Debt Service Fund had a deficit balance of \$46,896 at June 30, 2006. The deficit balance will be eliminated through collection of property tax.

11. NOTE RECEIVABLE

The City of Lake Park has a note receivable from NIDC Corporation in the amount of \$85,000. The note is related to the City's Economic Development Program. The note bears interest at 7% and is due at \$8,500 per year, plus interest. The note is uncollateralized.

12. SUBSEQUENT EVENTS

During March, 2007 the City issued a \$1,090,000 general obligation refunding capital loan note to refund \$1,060,000 of the \$1,400,000 general obligation note issued June 1, 2001. The note is payable from a continuing annual levy of taxes against all taxable property of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE PARK
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 302,527		\$ 302,527
Tax increment financing collections	21,412		21,412
Other city tax	150,866		150,866
Licenses and permits	14,408		14,408
Use of money and property	56,096	\$ 3,285	59,381
Intergovernmental	146,070		146,070
Charges for service	129,042	151,662	280,704
Special assessments	53,070		53,070
Miscellaneous	<u>20,933</u>	<u>23,256</u>	<u>44,189</u>
TOTAL RECEIPTS	<u>894,424</u>	<u>178,203</u>	<u>1,072,627</u>
DISBURSEMENTS:			
Public safety	123,382		123,382
Public works	267,529		267,529
Culture and recreation	153,760		153,760
Community and economic development	14,394		14,394
General government	114,514		114,514
Debt service	132,533		132,533
Business-type activities		<u>197,517</u>	<u>197,517</u>
TOTAL DISBURSEMENTS	<u>806,112</u>	<u>197,517</u>	<u>1,003,629</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	88,312	(19,314)	68,998
BALANCES - BEGINNING OF YEAR	<u>1,016,413</u>	<u>188,354</u>	<u>1,204,767</u>
BALANCES - END OF YEAR	<u>\$1,104,725</u>	<u>\$169,040</u>	<u>\$1,273,765</u>

<u>Budgeted Amounts</u>		Budget to Actual
<u>Original</u>	<u>Final</u>	Variance
		Positive
		<u>(Negative)</u>
\$ 301,354	\$ 301,354	\$ 1,173
24,275	24,275	(2,863)
150,000	150,000	866
4,705	4,705	9,703
19,305	19,305	40,076
141,850	141,850	4,220
256,875	256,875	23,829
65,000	65,000	(11,930)
<u>7,500</u>	<u>13,620</u>	<u>30,569</u>
<u>970,864</u>	<u>976,984</u>	<u>95,643</u>
158,207	142,207	18,825
332,455	282,455	14,926
172,582	167,082	13,322
14,975	14,975	581
110,368	118,868	4,354
132,633	132,633	100
<u>192,710</u>	<u>192,710</u>	<u>(4,807)</u>
<u>1,113,930</u>	<u>1,050,930</u>	<u>47,301</u>
(143,066)	(73,946)	142,944
<u>995,179</u>	<u>1,204,767</u>	<u> </u>
<u>\$ 852,113</u>	<u>\$1,130,821</u>	<u>\$142,944</u>

CITY OF LAKE PARK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$63,000.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business-type activities function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAKE PARK
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 CASH BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR YEAR ENDED JUNE 30, 2006

	Special Revenue				Total Nonmajor Governmental Funds
	Road Use	Employee Benefits	TIF Supported Projects	Emergency	
RECEIPTS:					
Property tax		\$ 68,327			\$ 68,327
Tax increment financing collections			\$ 21,412		21,412
Intergovernmental	\$ 85,651				85,651
TOTAL RECEIPTS	<u>85,651</u>	<u>68,327</u>	<u>21,412</u>		<u>175,390</u>
DISBURSEMENTS:					
Operating:					
Public safety		20,619			20,619
Public works		19,273			19,273
Culture and recreation		7,048			7,048
General government		11,112			11,112
TOTAL DISBURSEMENTS		<u>58,052</u>			<u>58,052</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>85,651</u>	<u>10,275</u>	<u>21,412</u>		<u>117,338</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(87,000)		(21,412)		(108,412)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(87,000)</u>		<u>(21,412)</u>		<u>(108,412)</u>
NET CHANGE IN CASH BALANCES	(1,349)	10,275			8,926
CASH BALANCES - BEGINNING OF YEAR	<u>8,841</u>	<u>6,447</u>		<u>\$ 15,370</u>	<u>30,658</u>
CASH BALANCES - END OF YEAR	<u>\$ 7,492</u>	<u>\$ 16,722</u>	<u>\$</u>	<u>\$ 15,370</u>	<u>\$ 39,584</u>
CASH BASIS FUND BALANCES:					
Unreserved:					
Special revenue funds	<u>\$ 7,492</u>	<u>\$ 16,722</u>	<u>\$</u>	<u>\$ 15,370</u>	<u>\$ 39,584</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 7,492</u>	<u>\$ 16,722</u>	<u>\$</u>	<u>\$ 15,370</u>	<u>\$ 39,584</u>

CITY OF LAKE PARK
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
General obligation notes:			
Corporate purpose	June 1, 2001	4.70 - 5.25%	\$1,400,000
Sanitary Sewer	December 1, 2005	3.00%	300,000
Total			
 Tax increment capital loan note	 November 1, 1990	 7.00%	 165,000
Revenue notes:			
Sewer - Series 1996	August 1, 1996	3.74%	332,000
Sewer - Series 1997	December 1, 1997	3.92%	734,000
Sewer - Series 2004	December 1, 2004	3.00%	374,000
Total			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$1,220,000		\$ (50,000)	\$1,170,000	\$ 60,932	
<u>298,000</u>		<u>(11,000)</u>	<u>287,000</u>	<u>8,193</u>	
<u>\$1,518,000</u>		<u>\$ (61,000)</u>	<u>\$1,457,000</u>	<u>\$ 69,125</u>	
<u>\$ 90,000</u>		<u>\$ (15,000)</u>	<u>\$ 75,000</u>	<u>\$ 6,200</u>	
\$ 228,000		\$ (15,000)	\$ 213,000	\$ 8,247	
508,000		(31,000)	477,000	19,306	
<u>374,000</u>		<u>(1,000)</u>	<u>373,000</u>	<u>11,205</u>	
<u>\$1,110,000</u>		<u>\$ (47,000)</u>	<u>\$1,063,000</u>	<u>\$ 38,758</u>	

CITY OF LAKE PARK
BOND AND NOTE MATURITIES
JUNE 30, 2006

Year Ending <u>June 30,</u>	<u>General Obligation Notes</u>				
	<u>Corporate Purpose</u>		<u>Sanitary Sewer</u>		<u>Total</u>
	<u>Interest</u>		<u>Interest</u>		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	
2007	4.70%	\$ 55,000	3.00%	\$ 11,000	\$ 66,000
2008	4.70	55,000	3.00	12,000	67,000
2009	4.70	60,000	3.00	12,000	72,000
2010	4.70	60,000	3.00	13,000	73,000
2011	4.70	65,000	3.00	13,000	78,000
2012	4.80	70,000	3.00	13,000	83,000
2013	4.90	70,000	3.00	14,000	84,000
2014	5.00	75,000	3.00	14,000	89,000
2015	5.05	80,000	3.00	15,000	95,000
2016	5.10	85,000	3.00	15,000	100,000
2017	5.15	90,000	3.00	15,000	105,000
2018	5.20	95,000	3.00	16,000	111,000
2019	5.20	95,000	3.00	16,000	111,000
2020	5.25	105,000	3.00	17,000	122,000
2021	5.25	110,000	3.00	17,000	127,000
2022			3.00	18,000	18,000
2023			3.00	18,000	18,000
2024			3.00	19,000	19,000
2025			3.00	19,000	19,000
TOTAL		<u>\$1,170,000</u>		<u>\$287,000</u>	<u>\$1,457,000</u>

Year Ending <u>June 30,</u>	<u>Tax Increment Capital Loan Note</u>	
	<u>Issued November 1, 1990</u>	
	<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>
2007	7.00%	\$ 15,000
2008	7.00	20,000
2009	7.00	20,000
2010	7.00	<u>20,000</u>
TOTAL		<u>\$ 75,000</u>

CITY OF LAKE PARK
BOND AND NOTE MATURITIES - Continued
JUNE 30, 2006

Year Ending <u>June 30,</u>	<u>Revenue Notes</u>			
	<u>Series Sewer 1996</u>		<u>Sewer Series 1997</u>	
	<u>Issued August 1, 1996</u>		<u>Issued December 1, 1997</u>	
	<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2007	3.74%	\$ 16,000	3.92%	\$ 32,000
2008	3.74	17,000	3.92	33,000
2009	3.74	17,000	3.92	34,000
2010	3.74	18,000	3.92	36,000
2011	3.74	19,000	3.92	37,000
2012	3.74	19,000	3.92	39,000
2013	3.74	20,000	3.92	40,000
2014	3.74	21,000	3.92	42,000
2015	3.74	21,000	3.92	43,000
2016	3.74	22,000	3.92	45,000
2017	3.74	23,000	3.92	47,000
2018			3.92	49,000
2019				
2020				
2021				
2022				
2023				
2024				
2025				
TOTAL		<u>\$ 213,000</u>		<u>\$ 477,000</u>

Schedule 3

Revenue Notes		
Sewer Series 2004		
Issued December 1, 2004		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.00%	\$ 1,000	\$ 49,000
3.00	1,000	51,000
3.00	1,000	52,000
3.00	1,000	55,000
3.00	1,000	57,000
3.00	1,000	59,000
3.00	1,000	61,000
3.00	1,000	64,000
3.00	1,000	65,000
3.00	1,000	68,000
3.00	1,000	71,000
3.00	1,000	50,000
3.00	24,000	24,000
3.00	52,000	52,000
3.00	54,000	54,000
3.00	55,000	55,000
3.00	57,000	57,000
3.00	59,000	59,000
3.00	<u>60,000</u>	<u>60,000</u>
	<u>\$ 373,000</u>	<u>\$1,063,000</u>

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INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the City Council
City of Lake Park
Lake Park, IA 51347

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Lake Park, Iowa as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents and have issued our report thereon dated May 30, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lake Park's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Lake Park's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial

reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the primary government of the City of Lake Park are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the primary government of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lake Park, and other parties to whom the City of Lake Park may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lake Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ninther, Stave + Co., LLP

May 30, 2007

CITY OF LAKE PARK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements

Instances of Noncompliance:

No matters were noted.

Reportable Conditions:

- I-A-06 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain their diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

- I-B-06 Mileage Allowance - A mileage allowance is paid on a monthly basis to the City Administrator for business use of his personal vehicle under a nonaccountable plan. Such mileage allowance arrangements should be (a) deducted as employee compensation rather than administrative expense, (b) included in the employee's gross income, (c) reported as wages on the employee's Form W-2 and (d) subject to withholding and payment of employment taxes when paid. We noted the mileage allowance is not handled through the payroll system, but rather paid as a separate disbursement without subjecting it to withholding and employment taxes.

Recommendation - The City should handle the mileage allowance as employee compensation, properly report it as wages and subject the wages to withholding and proper employment taxes.

Response - We will handle the mileage allowance as recommended.

Conclusion - Response accepted.

CITY OF LAKE PARK
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting

- II-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the business-type activities function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Also during the year ended June 30, 2006, one budget amendment was made. We noted the published budget amendment did not correctly present the original certified budget.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Published budget amendments should be carefully reviewed to be sure the amendment is accurately completed.

Response - The budget will be amended in the future, if applicable. We will also review the published budget amendments more carefully in the future to be sure they are accurately completed.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-06 Business Transactions - We noted no business transactions between the City and city officials or employees during the year.
- II-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF LAKE PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting - Continued

- II-H-06 Revenue Notes - The City has not complied with various sewer revenue note resolutions. The City has not maintained user rates for the sewer utility at a level sufficient to produce net revenues to the extent required by the respective bond resolutions. In addition, the City has prepared its financial statements on the cash basis of accounting whereas the bond resolutions stipulate use of generally accepted accounting principles which require accrual accounting.

Recommendation - The City should establish sufficient user rates and determine whether cash basis accounting is acceptable.

Response - We will review user rates and our accounting requirements.

Conclusion - Response accepted.

- II-I-06 Financial Condition - The Debt Service Fund had a deficit balance at June 30, 2006 of \$46,896. The deficit was primarily the result of not certifying a debt service tax levy for the fiscal year.

Recommendation - The City should certify the applicable debt service tax levy for future fiscal years and should investigate any other alternatives necessary to eliminate this deficit in order to return this fund to a sound financial position.

Response - The City agrees that the deficit fund balance listed is not desirable. City staff will certify an applicable debt service tax levy for future fiscal years and will present a plan for reducing or eliminating any remaining negative fund balance.

Conclusion - Response accepted.

- II-J-06 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The City will work with its bank to obtain the proper documentation. If the bank with the existing checking account is unable or unwilling to provide the proper documentation, bids will be solicited from other area banks.

Conclusion - Response accepted.

- II-K-06 Economic Development - The City paid \$10,000 to the Lake Park Development Corp. which may not be an appropriate expenditure of public funds.

CITY OF LAKE PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting - Continued

In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

In addition, we noted the expenditure was not approved in the Council minutes by the City Council.

Recommendation - The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require the Development Committee to provide documentation of how the funds were used to accomplish economic development activities.

The Council should also approve such expenditures in the Council minutes.

Response - We will document the public purpose served by economic expenditures and require documentation to indicate how the funds were utilized.

Conclusion - Response accepted.

- II-L-06 Interfund Transfers - The City made several transfers between funds and accounts during the year. The transfers were not approved in the minutes and the purpose of the transfers were not documented.

Recommendation - Except as authorized by the City Council through the budgetary process, transfers between funds should only be made upon the authority of the City Council through resolution detailing the amounts to be transferred to/from the funds involved, along with the reason for each transfer.

Response - Requests for transfers will be submitted for City Council approval by including transfer information and purposes.

Conclusion - Response accepted.

- II-M-06 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund."

Recommendation - The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.